Spring 2004

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California Partnership News

A Program of The California Department of Health Services

Visit our Web site at www.dhs.ca.gov/cpltc.

Message From the Project Director

Sandra Pierce-Miller

It's spring, and with spring comes new beginnings and new hope for the Partnership.

Governor Schwarzenegger's budget proposes permanency for the California Partnership for Long-Term Care. Of course, the Governor's budget proposal still must make it through both houses of the legislature, but being part of the budget plan is likened to clearing the first major hurdle of an equestrian course. We will closely monitor the budget bill's progress and provide another status report in our Summer newsletter.

Despite severe State budgets cuts, we are still able to provide agent training. However, travel bans and budget cuts forced us to eliminate one seminar and find a local facility that is free of charge. Our Agent Training Seminar is scheduled for

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BE SAFE AND CALL SAIF

Recent news coverage has been highlighting suspected scams against seniors and other individuals planning for their sunset years. An attorney who advises seniors throughout the State on how to qualify for Medi-Cal benefits is under investigation for suspicion of defrauding the State's Medi-Cal program of $50 million. Allegedly, this attorney advised his clients to reduce their assets through "pledges" made to family or friends, but advised his clients to not disclose those pledges to Medi-Cal, thereby enabling his clients to qualify for Medi-Cal coverage.

The State contends that by not disclosing the pledges, the attorney fraudulently obtained benefits for thousands of clients who were not eligible. Reportedly, the attorney has been using this tactic for the past eight years.

Another story highlighted a type of firm popularly referred to as a "trust mill." The company is Estate Planning of California, or EPoC, which was formerly EPI-Estate Planning Inc. This company widely advertises living trust seminars, using attorneys to sell the service of writing an inexpensive living trust, and then employing salesmen of financial services to aggressively pursue elderly attendees. Through deeper investigation into this company, a reporter found that EPI Estate Planning Inc. has been under Department of Insurance investigation and has a link to one of America's most notorious crime families.

Of course, these accounts are still under investigation and they don't represent all firms. There are many good business people in the field of elder estate planning. However, it is often hard to judge a con artist from a legitimate businessperson, or a sound investment from a bad one. Con artists are relationship builders, are well informed, and always have documentation regarding the investment they offer.

To help individuals before they invest, the Department of Corporations created a program entitled Seniors Against Investment Fraud (SAIF). Live operators at SAIF can ascertain the validity of a license, help uncover "red flags" surrounding investment proposals, and refer individuals to resources in their area. SAIF may be contacted at 1-866-275-2677. Share this valuable information with your clients. The call is toll free and could save the loss of their hard-earned assets.

2004 Agent Seminar
May 19, 2004
DHS Auditorium
15th & Capitol Avenue
Sacramento, CA

Registration Fee: $25
Registration Deadline:
May 5, 2004

The first 50 registrants receive a free copy of the new CPLTC video

Call (916) 552-8990
For a registration form

Rules For Use Of Partnership Logo

This sidebar is to remind agents that they are not allowed to use the Partnership logo. The California Partnership for Long-Term Care and the Department of Health Services, on behalf of the State of California, claim a trademark on this logo. However, an agent may represent themselves as "Authorized to Sell CA Partnership Plans."

The Partnership logo was created to help promote the California Partnership for Long-Term Care and to provide for the easy identification of Partnership policies. The presence of the logo is intended to help convey the connection between the Partnership policy and the Partner Company.

The logo may only be used by agents, brokers, or agencies if it accompanies the logo of one or more of the participating companies, and companies must secure Department of Insurance approval for all their marketing advertising. The size of the logo must be the same size or smaller than the company logo.

Agents are required to accurately represent themselves in the marketing of Partnership policies. They may not represent themselves as having been certified, registered, specially licensed, or specially selected to represent the Partnership. Agents may not represent themselves, verbally or in writing, in a way to create the impression that they are directly affiliated with or are an employee of the California Partnership for Long-Term Care or other affiliated agency. Such misrepresentations would constitute a violation of the code of conduct established for insurance agents, and the regulations that govern the Partnership.

As a reminder, California Insurance Code section 1725.5 requires licensees to include their license numbers on business cards, premium quotes and print advertisements for insurance products distributed exclusively in California.

Keeping Your Home While on Medi-Cal, Is It a Pipe Dream?

As an agent marketing Partnership polices, you already understand that a person's principal residence is exempt for the purposes of establishing Medi-Cal eligibility, however, the implications of that allowance are rarely considered. What appears to be missing from this discussion, given Medi-Cal's income rules, is how a person pays their mortgage (if any), keeps up with their tax payments, pays their homeowner's insurance, etc., while still staying within Medi-Cal's income requirements.

Let's first consider the person who is residing in a nursing home, but has declared they have the intent to return home, thereby keeping their home exempt. Current rules allow a Medi-Cal beneficiary to only retain $35 in monthly income – the rest must be paid to the facility. Given that scenario, let's consider how that person keeps up with the expenses of their home? Property tax payments can be deferred, but insurance payments, mortgage payments, and home maintenance costs cannot. It is important to note that Medi-Cal does not provide any special allowances for a person to make these sorts of payments. Additionally, money cannot be gifted to the Medi-Cal recipient to make payments, since the gifts would then be considered income included in their Share of Cost computation.

Now, let's consider someone who needs care, but is living at home. An individual is only allowed to retain $600, if single, and $934 if married. Any income (SSI, annuity, pension, 401K, etc.) above this amount must be paid for medically necessary expenses, before Medi-Cal will pay. It may prove difficult for a single individual with monthly income, of say $975, to pay for normal living expenses (including food and utilities) and all home related expenses (mort-

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ANY QUESTIONS?

The Partnership welcomes questions from agents. If you have specific questions about CPLTC policies or are seeking information on topics related to long-term care and long-term care insurance, we're happy to help you. Please call the Partnership office at (916) 552-8990.

NEW CPLTC MARKETING PRODUCTS

We are happy to announce that the new, long-awaited CPLTC marketing video is now available. The new video is available in DVD or VHS formats and will cost $6 each (for one to 49 copies), and $5 each (for fifty or more). The video has a run time of approximately eight minutes, and should prove to be a powerful marketing tool.

Also available on our website are Chinese and Spanish versions of three CPLTC brochures: "Making Choices Today to Secure Tomorrow", "The Balancing Act", and "Asset Protection: A Special Benefit Created for Californians." These brochures can be accessed directly from our web page located at www.dhs.ca.gov/cpltc.

If you feel that published Spanish or Chinese brochures would benefit the marketing of Partnership policies, please email your opinions to cpltc@dhs.ca.gov or provide comments at our website.

(Continued from Page 2)

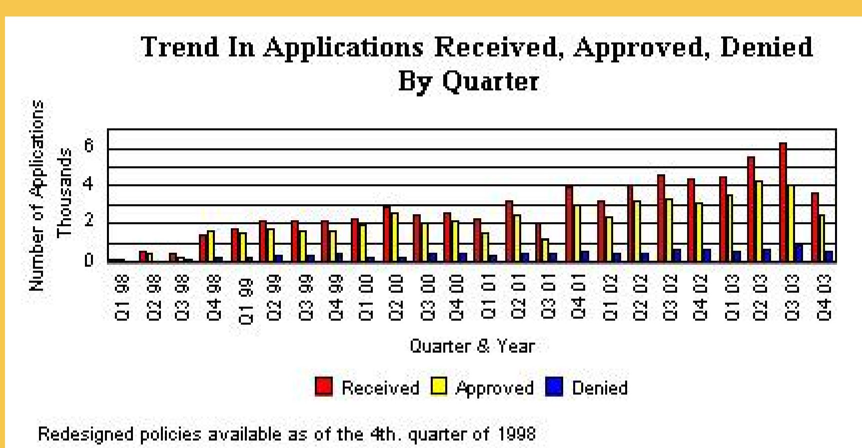
gage, taxes, insurance, upkeep, etc) and still pay $375 ($975-$600) on necessary medical expenses, thereby meeting Medi-Cal's income requirements. What other means would a person have available to pay for this shortfall and still meet Medi-Cal's income and asset requirements? Remember, you cannot draw the principal from any exempt assets.

To be eligible for Medi-Cal, an asset such as an annuity must be set up in a way that the beneficiary has no access to the principal. Access will result in loss of Medi-Cal eligibility. In these cases, the only viable option is for family and/or friends to take on the responsibility of paying the home-related expenses to avoid foreclosure or other loss of the property. (Caution: This can only be done by a third party arranging for payment directly to the mortgage holder, tax assessor, etc. Payment to the beneficiary creates income that is subject to the spend down requirements.)

In contrast, assets protected through a Partnership policy are totally accessible to individuals to use as they wish, including payment of these costs. Let's take a look at Ms. Peabody. She has $1,000 in monthly income and her home expenses (normal living expenses, plus a mortgage, taxes and insurance) amount to $950 a month. She had a Partnership policy that paid $95,000 in benefits over a 30-month period. If she receives assistance from Medi-Cal at home, the $600 allowance would not provide her with sufficient income to meet her home expenses. However, Medi-Cal will allow Ms. Peabody to keep up to $97,000 ($95,000 in protected assets, plus normal $2,000 allowance). She can use those protected assets to make up any shortfall while still meeting Medi-Cal's income rules. Thus, she can remain at home.

What about when Ms. Peabody goes into a nursing facility under Medi-Cal? All income, regardless of source, must be spent on medically required care (most often paid to the nursing facility) except for $35 a month. Again, protected assets can be used to pay her real estate taxes, fire insurance, etc. With asset protection, she can pay expenses necessary to retain control over her own home … and how many of today's Californians wish for that very thing?

California Partnership for Long-Term Care



- The median age of the purchasers was **57**
- **58** % were female
- **73** % were married
- **99** % bought comprehensive policies
- **95** % were first-time purchasers
- **3** % bought one-year policies
- **15** % bought two-year policies
- **22** % bought three-year policies
- **23** % bought four-year policies
- **1** % bought five-year policies

Visit our web site at www.dhs.ca.gov/cpltc for 2003 sales statistics

CAREGIVING IN CALIFORNIA
A New Study

The AARP and the National Alliance for Caregiving just released a new report entitled "Caregiving in the U.S." and a companion piece called "Caregiving in the U.S.: Spotlight on California." According to this new report published in April 2004, an estimated 4.3 million adults in California, 18% of the total adult population, provide unpaid care to a relative or friend 18 years of age, or older.

Overall, California caregiver statistics run parallel to U.S. statistics. There are, however, a few differences that should be noted. The percentage of caregivers who work full time tends to be higher in California, 60% as opposed to the national percentage of 48%. Additionally, California shows marked differences from nationwide statistics when it comes to male and ethnic caregivers. Forty-five percent of caregivers in California are male, where the national percentage is 38%. Percentages broken down ethnically are reported as follows:

	CA	US
White	55%	75%
Black	8%	14%
Asian	10%	4%
Hispanic	27%	6%

According to this new study:

- Fifty-five percent of California's caregivers are female while 45% are male.
- The average age of caregivers in California is 43 years old. 32% are age 50 or older.
- The racial and ethnic makeup of caregivers closely mirrors the composition of California's adult population. Fifty-five percent of the caregiving population is white, compared to 50% of California's adult population. Hispanics make up a considerable minority of both California's caregiving (27%) and adult (30%) populations.
- Sixty percent of caregivers are married or living with a partner.
- Four in ten (39%) caregivers hold a college degree or higher, and 34% have had some college.
- The majority of California's caregivers live in middle or upper income-level households. Nearly four in ten (38%) earn $30,000 to $75,000 per year and 31% make more than $75,000.
- Seventy percent of California's caregivers are currently employed.
- Caregivers in California are relatively new at providing care. Nearly half (45%) have been providing care for less than a year. The average number of years California's caregivers have been providing care is 3.6 compared to 4.3 years nationally.

For a complete copy of these reports go to The National Alliance for Caregiving web site at www.caregiving.org or AARP's Research Center web site at http://research.aarp.org.

Continuing Education Information

These Continuing Education providers are approved by the Department of Insurance and the Department of Health Services. They all offer the training required by the Partnership.

The Partnership does not endorse any particular course. All courses must follow the outline developed by the Partnership. Please call the providers below for their list of scheduled classes or visit their websites for detailed information.

Tom Orr
Senior Insurance Training Services
670 W. Napa Street, Suite M
Sonoma, CA 95476-9998
Tel. (800) 460-7487
Fax (707) 939-9599
www.tomorr.com
Multiple instructors

Sandi Miley
Miley Education & Insurance
10420 Rancho Carmel Drive
San Diego, CA 92128
Tel. (800) 296-8440
Fax (619) 374-2004
Multiple instructors

Sandi Kruise
Sandi Kruise Insurance Training
4319 Corral Canyon Rd.
Bonita, CA 91902
Tel. (800) 517-7500
Fax (619) 421-8171
www.kruise.com
Multiple instructors

Message from Project Director Continued from Page 1

May 19, 2004 at our own auditorium in Sacramento. I know that means overnight travel for many of you, but I can assure you we've designed a quality program that is informative and thought provoking. The seminar itself will cover suitability tools, rules and case studies, and for the first time we will have optional afternoon breakout sessions covering a variety of topics. As usual, Partnership staff will provide morning basic Medi-Cal training.

The State Capitol and park grounds are beautiful in May and you can see the rose garden from our Auditorium building. We are providing a box lunch that will allow you to remain indoors or lunch picnic style on the Capitol grounds. For information on lodging, pictures of the seminar facilities, and a registration form go to our web site at www.dhs.ca.gov/cpltc.

At the beginning of this message I mentioned new beginnings. I am happy to report that after many months of review and negotiations, Metropolitan Life Insurance Company (MetLife) is our newest Partnership long-term care insurance (LTCI) provider. MetLife is on track to have an individual Partnership LTCI offering available sometime this summer, and an employer offering available in the fall. We look forward to working with MetLife, as we do with all of our Partnership insurers, toward increasing the pace at which LTCI is purchased in California.

Enjoy the rest of this newsletter. It highlights information about new 2004 caregiving statistics for California, new Partnership products, and additional resources you and your clients should find beneficial.

Sandy

CALIFORNIA LEGISLATION

SB 121

Introduced by Bob Margett in February 2003. Would establish a tax credit of up to $300 ($600 for joint filers) for 30 percent of the amount paid or incurred during the taxable year for long-term care or long-term care insurance for the taxpayer or parent of the taxpayer. Referred to the Senate Revenue and Taxation Committee in February 2003. Failed passage in committee hearing in January 2004.

AB 1523

Introduced by Bonnie Garcia in February 2003. Would establish a tax credit for up to $1,000 per family member for the cost of LTCI incurred by the taxpayer during the taxable year. Should the credit exceed the tax, the remaining credit may be carried over to succeeding years. Referred to the Assembly Revenue and Taxation Committee in March 2003. This Bill died.

AB 2937

Introduced by Joe Nation in February 2004. Would require the Dept. of Health Services to collect against the estate of any decedent who purchased an annuity for the purpose of qualifying for Medi-Cal long-term care benefits, within 60 months of applying for such benefits.

AB 2044

Introduced by Bonnie Garcia in February 2004. Declares the intent of the Legislature to enact an act to authorize a credit for the amount paid or incurred by a taxpayer for long-term care or long-term care insurance for any family member of the taxpayer.

FEDERAL LEGISLATION

HR 1406

Introduced by John E. Peterson of Pennsylvania in 3/2003. Would amend Title XIX of the Social Security Act to permit additional states to enter into LTC partnerships under the Medicaid Program in order to promote the use of LTCI. Referred to House Subcommittee on Health in 4/2003. Currently California, Connecticut, Indiana, and New York have Partnership programs.

HR 2096 (Companion to S 1335)

Introduced by Mrs. Nancy L. Johnson of Connecticut in 4/2003. Would amend Internal Revenue Code of 1986 to allow individuals a deduction for qualified LTCI premiums, allow use of such insurance under cafeteria plans and flexible spending arrangements, and allow credit for individuals with LTC needs. Referred to House Committee on Ways and Means 4/2003.

S 1335 (Companion to HR 2096)

Introduced by Charles E. Grassley of Iowa in 6/2003. Would amend Internal Revenue Code of 1986 to allow individuals a deduction for qualified LTCI premiums, allow use of such insurance under cafeteria plans and flexible spending arrangements, and allow a credit for individuals with LTC needs. Referred to the Senate Committee on Finance in 6/2003.

S 2077

Introduced by Larry E. Craig of Idaho in 2/2004. Would amend Social Security Act to permit additional States to enter into LTC partnerships under the Medicaid Program in order to promote the use of LTCI. Referred to Senate Committee on Finance in 2/2004.

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Bankers Life and Casualty
(888) 2828-BLC

CalPERS Long-Term Care Program
(800) 205-2020

GE Financial Assurance
(800) 354-6896

John Hancock Life Insurance Company
(800) 377-7311

New York Life Insurance
(800) 224-4582

To be removed from our mailing list, please e-mail your request to cpltcas@dhs.ca.gov or call the Partnership at (916) 552-8990.

News In Brief...

CalPERS Open Enrollment

The CalPERS' Long-Term Care Program application period for 2004 will commence on May 1, 2004 and close on August 31, 2004. Application materials may be acquired by calling toll-free (800) 338-2244 or by visiting the CalPERS website at www.calpers.ca.gov.

Mimimum Daily Benefits for 2004

- The daily minimum benefit amount for nursing home care benefit payments is $110.
- The daily minimum benefit amount for Residential care benefit payments is $77.
- The minimum monthly benefit amount for home and community based care benefit payments is $1,650.
- The minimum coverage for lifetime maximum benefit payments is $40,150.

2004 Tax Qualified Limits

Age Individual Limitation (Attained age before close of taxable year). 40 or less is $260, 41 to 50 is $490, 51 to 60 is $980, 61 to 70 is $2,600, Over 70 is $3,250

Medi-Cal Resource Limits for Calendar Year 2004

The year 2004 CSRA is $92,760 and the 2004 MMMNA is $2,319 in monthly income. In 2004, the following is the minimum monthly maintenance needs level:

- If living in the community, an individual may keep $600, a married couple $934; or
- If in a nursing home, an individual may keep $35 in monthly income for personal needs; the at home spouse may keep all of the income received in his/her name, regardless of the amount. If the amount is below $2,319 per month, the institutionalized spouse may allocate income to bring the at home spouse's income up to $2,319 per month.

State Offers $500 Tax Credit for Qualified Caregivers

To learn more about this tax credit, access the FTB website at www.ftb.ca.gov for the FTB Publication 802, Long-Term Care Credit: Frequently Asked Questions, or download FTB Form 3504, Long-Term Care Credit.